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MARKET OUTLOOK FOR UNITED STATES & SOUTH AMERICA

Grain Market Outlook for the United States and South America by Steve Freed, Vice President of Grain Research, ADM Investor Services

The following report is an overview of the US and South American economic, political and crop situations as of ***August 20, 2019.*** *This report is intended to be informative and does not guarantee price direction.*

Corn and wheat futures prices have trended lower. Wheat prices are down due to a drop in E.U. and Russian prices. Some feel world supply is greater than demand and buyers are buying only hand to mouth. Some believe the USDA estimate of higher world 2019/20 wheat demand and trade may be overstated. Soybean futures are trying to consolidate near recent lows on hopes for a U.S.- China trade deal. Still, most do not look for an agreement until late 2020. The annual Pro Farmer U.S. Midwest crop tour is finding lower corn yields than the USDA August estimate, but not as low as bulls had hoped for, given the wet spring and slow crop development. The tour is also finding lower soybean pod counts than last year. The biggest takeaway from the tour is the lateness of the crop.

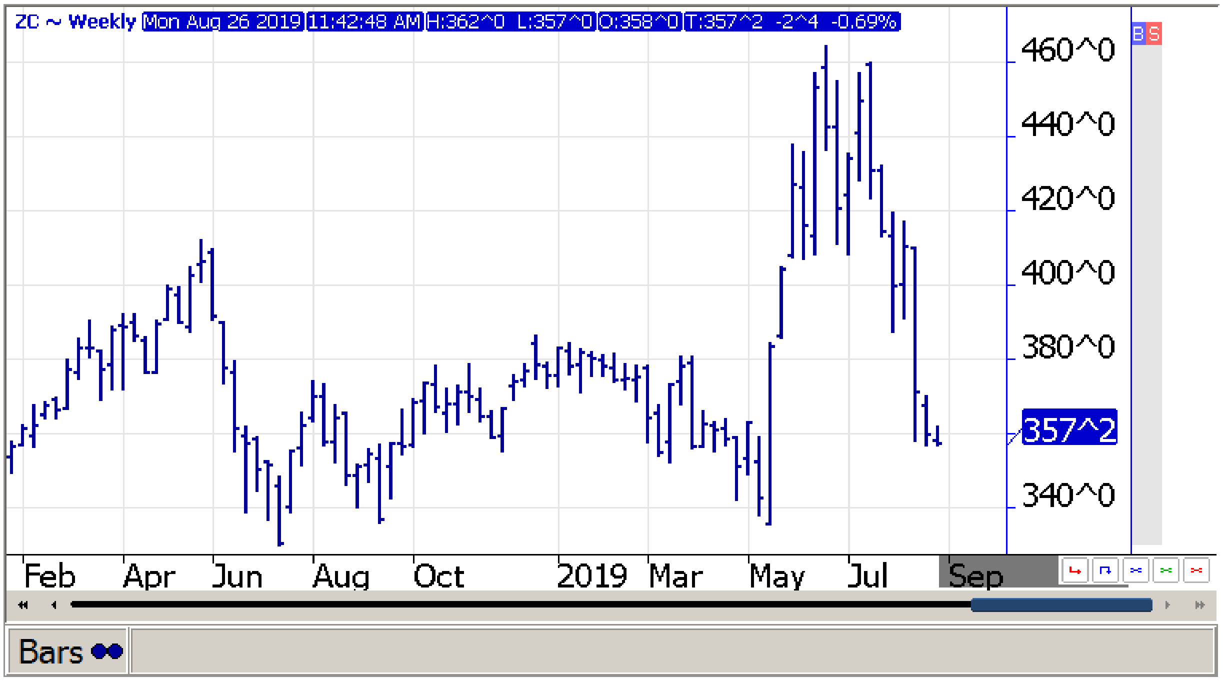
The U.S. corn and soybean crop will need a long summer and fall season to reach maturity. In a recent article, Barron's suggested U.S. economic growth is slowing, worrying some investors that a recession is possible. Slower growth, however, is nothing compared with what farmers have had to endure recently. The agriculture sector has been whipsawed by government agencies, trade policies, disease, weather and currency fluctuations. It is hard to be a farmer. Volatility isn't great for investors, either, because it makes it more difficult to value stocks tied to agriculture. It doesn't look as if it is going to get any easier in coming months, meaning investors will have to keep watching to make sure the weather and other factors tied to agriculture don't adversely affect their portfolios.

In August, the USDA estimated world 2019/20 corn end stocks at 308 million tonnes. The increase was due to higher U.S. and China supply. The USDA estimated total world corn exports to be near 169.9 million tonnes with U.S. exports estimated to be near 52.0 million tonnes. The USDA increased the U.S. 2019 corn crop to 854 million tonnes and the USDA did not lower U.S. corn planted acres as much as hoped and the USDA raised its corn yield. The U.S. crop is late and September weather will be key if the crop reaches maturity. Demand bears feel prices should trend lower into the fall.

The USDA raised its world 2018/19 soybean end stocks to near 114 million tonnes. Total world exports are estimated to be near 148.0 million tonnes and U.S. exports are estimated to be near 46.3 million tonnes. The USDA estimates China's 2018/19 soybean imports at 83.0 million tonnes versus 94.1 last year. The USDA estimated world 2019/20 soybean end stocks will be near 101 million tonnes. The drop was due to lower U.S. supplies. Total world exports are estimated to be near 149.1 million tonnes and U.S. exports are estimated to be near 48.3 million tonnes. The USDA estimated China's 2018/19 soybean imports to be 85.0 million tonnes. Some feel the continued spread of African swine fever could lower China's soybean imports. Most feel that key to final supply could be the U.S. September weather impact on yield, final U.S. acres and demand for U.S. soybean exports. There is still no new positive news on U.S. and China trade talks.

The USDA dropped its estimate of world 2019/20 wheat end stocks to 285.4 million tonnes versus 286.4 previous and 275.5 last year. The drop was due to lower E.U. and Russia supplies. The USDA estimated the world 2019/20 wheat crop at 768.0 mmt versus 730.5 last year. The U.S. 2019 wheat crop is estimated to be near 53.9 mmt versus 51.3 last year. Russia is estimated to be near 73.0 versus 74.2 previous and 71.7 last year. The E.U. crop is estimated to be near 150.0 versus 136.9 last year.

Corn Futures - Weekly



Charts from QST

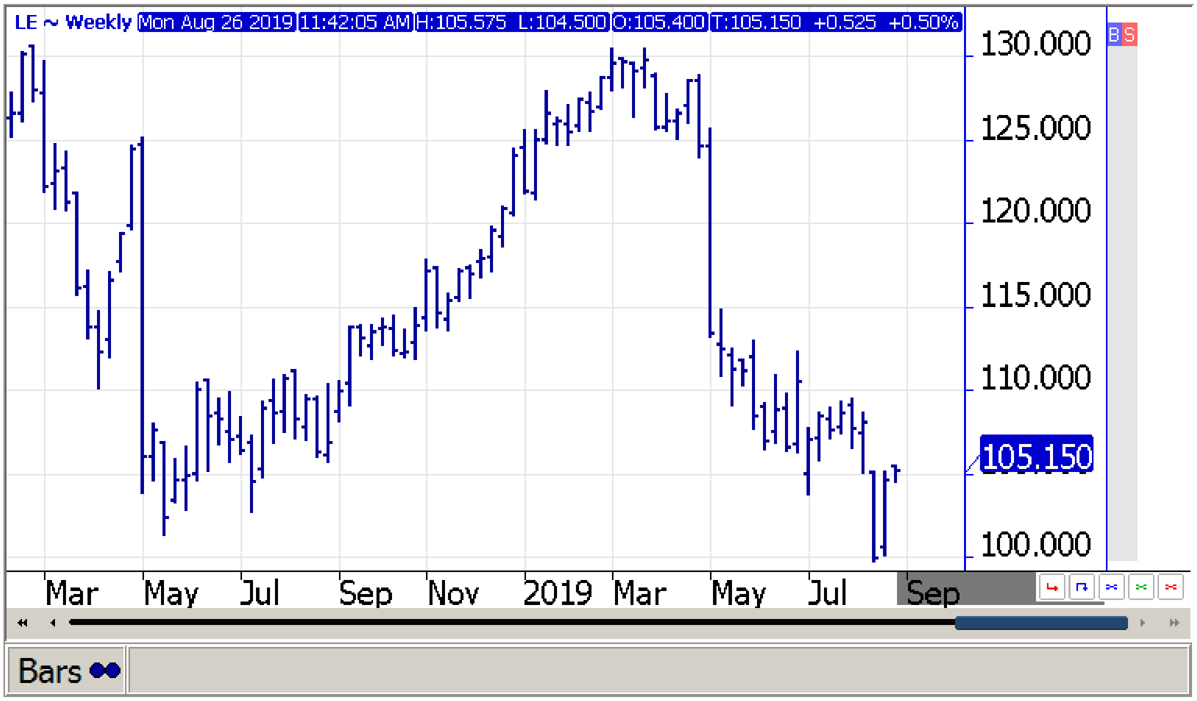
Livestock Outlook by Chris Lehner, Sr. Livestock Analyst, contracted by ADM Investor Services

The following report is an overview as of August 20, 2019 and is intended to be informative and does not guarantee price direction

Live Cattle

Cattle trading in July was fairly quiet. Live cattle futures started the month moving off the June lows by $2.00/cwt and slowly moving up about $5.00/cwt to trade the last week of July sideways. Beef from steaks to ground beef were retail features for the July 4th holiday. However, extreme high temperatures in July after the 4th did back off consumer buying. Similar to June, the spread between choice boxed beef and select boxed beef remained wide. This allowed retailers to buy select cuts much less than the cost of choice primal cuts. Retailers then marked up select beef and were able to offer the consumer more attractive prices for select. By doing this, it helped to keep a lid on choice beef prices and choice cattle prices. For example, primal choice rib sections in the first week of July were $69.50/cwt over primal select rib sections and primal choice loin sections were $61.67/cwt over primal select loins. Retailers sold select cuts $4.00/pound to $5.00/pound under choice. The retailer made more money and the consumer felt they were getting a bargain. Because of the difference between choice and select beef, cattle buyers did not have to push up prices on choice cattle.

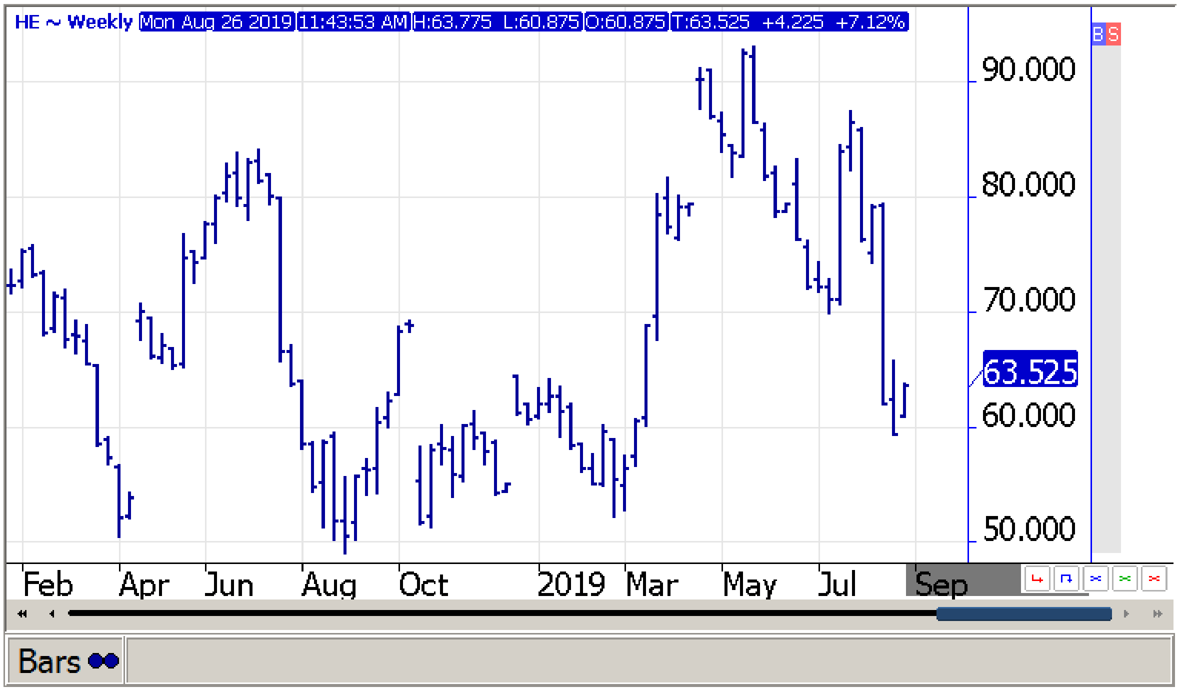
Live Cattle Futures - Weekly



Lean Hogs

Lean hog futures started the month of July coming off lows that were made in the last week of June and rallied close to $13.00/cwt by July 25th. But, the last week of July traders became active sellers and lean hogs dropped $11.00/cwt when President Donald Trump announced new tariffs on Chinese products. The U.S. hog and pork industry have been hoping to see big exports of pork to China since African swine fever was first announced August 2018. In March 2019, China purchased, in two big buys, close to 225,000 metric tonnes and smaller purchases about every week since March. In the first week of July, Chinese pork merchandisers started applying for tariff waivers to avoid paying tariffs on U.S. pork. The futures market was very excited about it. The pork China purchased in 2019 has been said to be in government strategic reserves and is not reducing skyrocketing pork prices for the consumer. The market activity in July 2019 showed what the anticipation of China increasing exports can do for pork and lean hog prices.

Lean Hog Futures - Weekly



Charts by QST

Stock Index, Currency, Crude Oil and Precious Metals Futures Market Outlook by Alan Bush, Senior Financial Economist, ADM Investor Services

*The following report is an overview as of **August 20, 2019** and is intended to be informative and does not guarantee price direction.*

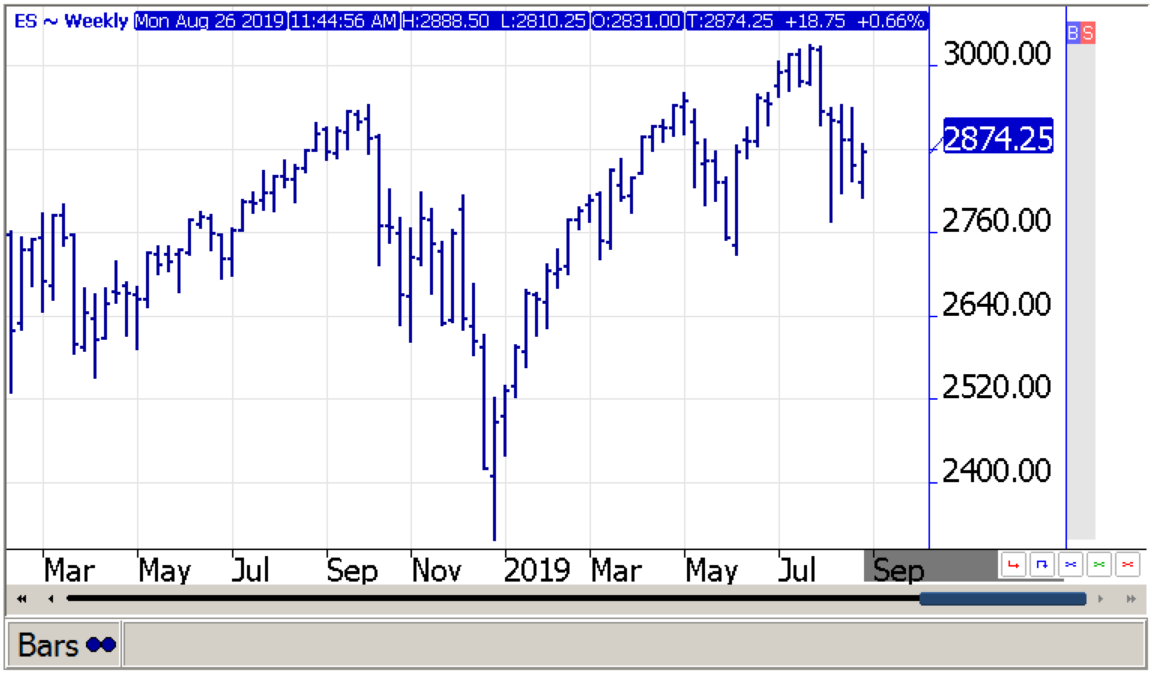
Stock Index Futures

U.S. stock index futures declined in the first week of August when the U.S. Treasury unexpectedly named China a currency manipulator. This was viewed as an escalation of the trade war. However, there was recovery later in the month due to hopes of more stimulus from central banks, including the Federal Reserve. In addition, futures advanced when China said it was planning to roll out additional stimulus in an attempt to address an economic slowdown. Also, there was support when German Finance Minister Olaf Scholz hinted that Germany may initiate an approximately $55.55 billion new fiscal stimulus package. U.S. stock index futures were also underpinned when President Donald Trump said his administration is looking at cuts to payroll and capital gains taxes.

Traders appear to be focusing more on the bullish interest rate outlook and less on the ongoing stalemate between the U.S. and China on trade issues. My view remains that the global reflation scenario is on track and easier credit conditions from most of the world's central banks are coming and will be the dominant fundamental that supports stock index futures in the long term.

However, in the short term there are better opportunities in trading the long side of the flight to quality vehicles, such as the 30-year Treasury bond futures, gold, silver and the Japanese yen.

S&P 500 Futures - Weekly



U.S. Dollar Index

The U.S. dollar trended higher after the first week of August on the belief that the U.S. economy will hold up better than economies elsewhere in the world. There was support for the greenback when the Atlanta Federal Reserve upgraded its prediction for the third quarter gross domestic product growth to 2.2% from 1.9%.

The U.S. dollar firmed on news that the U.S. consumer price index increased a seasonally adjusted 0.3% in July from the previous month. Economists had expected prices to increase 0.2% on the month. The core consumer price index, which excludes the volatile food and energy categories, was up 0.3% in July from June. Economists forecast a 0.2% gain.

Interest rate differentials appear to be neutral for the U.S. dollar, as major central banks appear to be on a course of easer credit to one degree or another.

Euro Currency

After the first week in August, the currency of the euro zone steadily marched downward. Much of the pressure was linked to the belief that the European Central Bank will cut its deposit rate

by at least 10 basis points and the resume bond buying at the next policy meeting on September 12. Also, there was pressure on the euro after Germany's Ifo Institute said its quarterly survey of business and economic experts suggests significantly weaker growth in world trade. In addition, there was news that Germany posted the steepest year-on-year decline in industrial production since 2009. It was definitely not a vote of confidence when Germany posted a negative average yield at a 30-year bund auction for the first time.

There were only temporary gains when a report showed German manufacturing orders picked up more than expected in June. Manufacturing orders increased 2.5% on the month when economists had expected an increase of 0.3%.

In the longer term view, interest rate differential expectations are neutral for the euro currency, since the ECB and the U.S. Federal Reserve are both on a path toward more accommodation.

Crude Oil

Crude oil prices have fallen three of the past four weeks, including last week's decline after China announced retaliatory tariffs that would include a 5% tariff on U.S. crude oil. U.S. crude is among the many products affected by the new Chinese duties in the coming months. Prices are approximately 18% below its April peak, as analysts remain cautious due to weakening demand and a steady supply situation.

The fundamentals appear to be bearish on balance, which suggests crude oil futures will likely work lower in the near term.

Crude Oil Futures - Weekly

Gold

Gold futures continued to strengthen, as global uncertainties helped push the precious metal to a fourth consecutive weekly gain and to a six year high. Some of the strength can be attributed to increasing prospects of a more aggressively easier Federal Reserve. Also, flight to quality vehicles, including gold were supported in light of the apparent lack of progress in the U.S.-China trade negotiations. In addition, central banks continued their buying spree this year after massive purchases in 2018.

The technical outlook turned bullish in late June when a long term downtrend line was penetrated on the upside. In the middle of July futures broke out to the upside from a three week triangle congestion pattern and more recently gold futures broke out to the upside from a diamond congestion pattern. Some chart objective techniques suggest gold could advance to over 1600.

Higher prices are likely.

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Gold Futures - Weekly

Charts provided by QST

Support and Resistance Grains

December 19 Corn

Support 3.50 Resistance 3.90

November 19 Soybeans

Support 8.10 Resistance 9.00

December 19 Chicago Wheat

Support 4.40 Resistance 5.00

Livestock

October 19 Live Cattle

Support 99.77 Resistance 114.37

October 19 Lean Hogs

Support 58.20 Resistance 71.00

Stock Index

September 19 S&P 500

Support	2780.00	Resistance	2969.00

September 19 NASDAQ

Support	7235.00	Resistance	7815.00

Energy

October 19 Crude Oil

Support	52.15	Resistance	57.00

October 19 Natural Gas

Support	2.120	Resistance	2.270

Precious Metals

December 19 Gold

Support	1503.0	Resistance	1600.0

December 19 Silver

Support	17.450	Resistance	18.950

Industrial Metals

December 19 Copper

Support	2.4900	Resistance	2.6000

Currencies

September 19 US Dollar Index

Support	97.200	Resistance	98.400

September 19 Euro Currency

Support	1.10700	Resistance	1.12850

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MARKET OUTLOOK FOR CHINA AND ASIA REGION

By Alex Poon, ADMIS Hong Kong & Kevin Yang, ADMIS Shanghai Representative Office

*The following is an overview of the Chinese and Asian economic, political and crop situations as of **20th August 2019**. This report is intended to be informative and does not guarantee price direction.*

The key Chinese and Asian event over the last 30 days has been RMB depreciation in response to an additional tariff and crossed the symbolic mark of 7 per dollar. Many central banks in the region cut interest rates, including New Zealand, Thailand, India, Indonesia and Philippines.

CHINA

- China's manufacturing activities picked up slightly in July, compared to last month, but still stayed in the contraction zone, suggested by the CAIXIN China manufacturing PMI, which rebounded to 49.9 from last month's 49.4. New orders and output returned back to expansion area. New exports orders saw little improvement and stayed in contraction as the China-U.S. trade war drags. Factories' employment shrank for the fourth consecutive month and posted the lowest reading since February 2019. But thanks to tax-cut policies, the confidence index for the prospects of the next 12 month rose to a 3-month high after experiencing the lowest level in June. The official manufacturing PMI also posted an improvement by jumping to 49.7 from previously 49.4.

- Surging food prices pushed China's consumer inflation higher. In July, China's CPI increased 2.8% year-on-year, while prices of fruits and pork rose 39.1% and 27% respectively compared to last year. On monthly basis, the CPI climbed 0.4%. As pork prices are expected to climb in the months to come, the CPI is likely to stay at a relatively high level, but not likely to exceed 3% in the short term. The PPI kept falling, as oil prices declined. In July, the PPI declined 0.3% from last year, which is the third month of negative growth in a row, indicating the PPI is entering deflation. As oil prices are expected to stay weak, producer prices are likely to continue to decline in the months to come.

- China's exports unexpectedly increased amid the trade war with the U.S. In dollar-dominated terms, China's export in July rose 3.3% compared to last year. Imports dropped 5.6% year-on-year. The trade surplus expanded 63.9% from last year to $45.06 billion. In the first seven months, China's exports to the U.S. declined 7.8% from last year, but exports to E.U. and ASEAN increased 6.1% and 9.1% respectively year-on-year, which to some extent mitigated the drop in exports to the U.S. Some Chinese exporters are reportedly using South East Asian countries, such as Vietnam, to conduct "transit trade," which could explain why exports from Vietnam to the U.S. surged 133% in the first six months of 2019. Now that President Donald Trump announced a new round of tariffs on Chinese exports, pressure on China's exports area is expected to escalate.

- China's soybean imports in July increased 7.93% year-on-year to 8.64 million tons, reaching the highest level in the past year, as the crushing margin improved. Compared to last month's 6.51 million tons, imports jumped 33%. Early in May, the U.S. increased the tariff on Chinese goods of $250 billion from 10% to 25%. The soymeal price rose out of concern that China's reduction in imports of U.S. soybeans will lead to tight domestic soybean supplies, which significantly improved the crushing margin and prompted Chinese buyers to place orders, mostly from Brazil. In the first seven months, China's soybean imports declined 11% from last year, due to African swine fever that weakened soymeal demand.

OTHER ASIAN COUNTRIES

- The Bank of Japan kept interest rates steady at the July meeting, but downgraded inflation and growth forecasts and delivered a more dovish message in its policy statement. Business confidence kept dropping, with the manufacturing PMI contracting for the third month and the Tankan survey turned negative for the first time since 2013. Risk aversion drove the yen to touch 105 per dollar, but a suspected intervention helped stem the rally. A consumption tax hike scheduled for October and the deteriorating global trade and growth situation will likely have a material negative impact on Japan's market.

- South Korea's Manufacturing PMI dropped further, with export orders tumbling to a six year low. Exports slumped for the eighth month, recording a double digit drop compared to the previous year and semiconductor exports sank 28%. The Bank of Korea is open to reduce interest rates further after its surprise cut at the July meeting. Trade tensions with Japan show no signs of resolution, although there is ongoing dialogue between both countries.

- The Reserve Bank of New Zealand surprised the market by cutting interest rates by 50 basis points, and the Kiwi dropped significantly, as a result. Australia's central bank kept interest rates unchanged in August, but lowered the growth forecast this year to 2.5% and next year to 2.75%. There is an improved outlook on the economy due to lower interest rates, tax cuts, a weaker Aussie and stabilization of the housing market. Low interest rates are expected for an extended period. Among others, Thailand, India, Indonesia and Philippines have cut interest rates.